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STATEMENT BY
THE NATIONAL ASSOCIATION OF POSTAL SUPERVISORS
BEFORE THE
HOUSE COMMITTEE ON POST OFFICE AND CIVIL SERVICE
MARCH 1, 1983

Mr. Chairman, Members of the Committee: My name is Donald Ledbetter, President of the National Association of Postal Supervisors. With me today are Executive Vice President Mo Twomey, National Secretary Rubin Handelman, Legislative Counsel Pamela Beer and Andy Ruddock, a consultant to our organization on retirement issues and a former Director of the Bureau of Retirement under the old Civil Service Commission.

The National Association of Postal Supervisors is pleased to appear before the Committee to offer our views on the development of a supplemental retirement program for postal and federal employees hired after January 1, 1984. As an organization which represents employees covered by this new retirement plan, we are vitally interested in making a contribution.

However, we want to stress from the outset that these are preliminary observations. A more concrete and detailed analysis will be possible once more information is available from such sources as Hay/Huggins, Inc., the Government Accounting Office, the Congressional Research Service and the Congressional Budget Office.

We recognize the difficulty facing this Committee in the development of a supplemental plan. The magnitude of the task and the seriousness of the issues involved require a great deal of time and careful planning.

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Holding these hearings demonstrates you are aware of this fact and are allowing sufficient time for your deliberations.

Mr. Chairman, NAPS is strongly supportive of the paramount principles for developing this supplemental, which you enunciated in your statement opening these hearings. First, benefits earned must be protected and the supplemental must not threaten the integrity of the current Civil Service Retirement System. The government cannot abrogate that responsibility and any move away from this premise is not appropriate to the discussion of a supplemental plan.

Second, benefits of social security and a supplemental plan must not be inferior to those of the present system. Comparability of retirement benefits between present and new employees is essential for a productive and stable workforce.

We believe that protection for current employees can best be insured by making the new supplemental plan a part of the Civil Service Retirement System. The system has always been flexible enough to accommodate the particular needs of various groups of employees. Including the supplemental in the existing system would facilitate continued funding for the Civil Service Retirement System and would not add additional administrative costs and overhead.

In our opinion, a defined benefit plan is the best way to provide an assured retirement income at an adequate level despite the vagaries of the economy over an employee's working lifetime. A defined benefit plan allows employees to make definite plans for their retirement years and eliminates many uncertainties. The same should be true for all future postal and federal employees. It is a fair, equitable and workable policy.

We believe the present retirement eligibility provisions, including those for disability, have served both government and employees well and they should be included in the new supplemental. In addition, we also

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believe the eligibility and benefit levels for surviving spouse and children should be carried forward. We should avoid the hiatus in social security benefits for surviving spouses in between the time the last child is eligible for benefits and the time the widow/widower benefit begins many years later.

NAPS recognizes the complexity of integrating social security with a federal retirement program. Simple integration is not possible. Social security provides lower paid employees with a proportionately greater benefit than higher paid employees. The Committee must be very careful in dealing with this tilt in order to avoid materially reducing retirement income for employees in higher salary brackets.

There has been a good deal of discussion regarding an optional thrift savings plan. We would like to point out the present system does contain a voluntary thrift plan but that the present plan is inadequate in many respects. First, the employee payments are in after tax dollars. Second, the investment earnings do not result in substantial cash accumulation. And, third, there is no employer contribution. While we are not taking a position either way on a voluntary thrift plan, we do believe the Committee should examine what is already on the books.

Throughout this debate on a supplemental, the primary motivating factor should be employer goals. In our opinion, one objective of a retirement program should be to facilitate the recruiting and retaining of qualified and competent employees.

Once a person comes to work for the federal government, it makes sense to want that employee to make government his or her career. Accordingly, a retirement plan should not expend a disproportionate share of its benefits on short term employees. The most productive companies in the private sector use their retirement programs to promote stability and continuity in their workforce and we believe the federal government should do the same.

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Because retirement annuities are deferred compensation, we strongly believe that full inflation protection must be provided. A federal retirement program is not welfare. There should be no means test applied to a staff retirement program. In this area, government must be the example for the private sector. Even in the private sector, most plans provide some ad hoc adjustments.' This policy indicates the private sector recognizes the need to help former employees maintain their standard of living. It does not, however, go far enough.

We recommend the Committee avoid the pitfalls of other employers like the State of New York when they made changes in their pension program. Changes were based on inadequate consideration and several major overhauls have been required. As one of the largest employers in this country, the federal government cannot afford to make those same mistakes. The futures of thousands of employees is at stake. The government cannot gamble with those futures. To do so would be irresponsible and inconsistent with sound management policy.

Mr. Chairman, the National Association of Postal Supervisors has briefly outlined some of our early thoughts on the development of a supplemental retirement plan for newly hired postal and federal employees. We recognize that more information is necessary before the actual design of that plan can be formulated.

NAPS urges that the focus in the upcoming debate be on sound personnel management practices that will result in a strong and viable workforce. For most of its 60 years, the Civil Service Retirement System has provided a role model for others to follow. In designing a new supplemental retirement plan, the government has an opportunity to again lead the way in the use of a retirement system as part of sound, personnel management practices.

Again, we appreciate this opportunity to present our views and would be happy to answer any questions.